

Memo

From: Terry Whiteside
Date: August 2, 2007
Re: **Transportation Report**



Chairman Oberstar and Congressman Richard Baker Issue Straight Talk About HR 2125 – Rail Competition and Service Improvement Act of 2007

In a strongly worded 'Dear Colleague' letter to all members of the U.S. House of Representatives on August 1, 2007, Chairman Oberstar and Congressman Richard Baker – set the record straight – a record the American Railroads have been misrepresenting.

Here is the truth about H.R. 2125 –which is going to be set for hearing in early September. **HR 2125 DOES NOT RE-REGULATE THE RAILROADS** and **HR2125 DOES NOT FORCE ONE RAILROAD TO OPERATE ON THE TRACKS OF ANOTHER RAILROAD** as the railroads are stating to their shippers in an attempt to get rail shippers to oppose HR 2125.

IF YOU ARE A RAIL CUSTOMER – DON'T BELIEVE WHAT THE RAILROADS ARE TELLING YOU.

This Transportation Report is probably one of the most important for all rail customers to read. The 'Dear Colleague' letter is reproduced here for rail customers.

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

August 1, 2007

Dear Colleague:

We are writing to encourage you to cosponsor H.R. 2125, the Railroad Competition and Service Improvement Act of 2007.

Perhaps you have heard from a number of your constituents that are being charged ever higher rail transportation prices while suffering declining service and reliability. Those rail customers without access to competition also report that the Federal system for protecting them from railroad monopoly power is not working. Our own review of this problem has convinced us that several reasonable and moderate changes to current railroad law and policy are required.

However, opponents of H.R. 2125 are misrepresenting the provisions of our proposed legislation. We intend to set the record straight:

First, H.R. 2125 does not re-regulate the railroads. In 1980, Congress passed the Staggers Rail Act to deregulate railroad activities that occur in a competitive environment. Congress did not deregulate the relationship between the railroads and their customer when there is no effective competition from other rail carriers or mode of transportation. In these non-competitive environments, the Staggers Rail Act empowered the Surface Transportation Board (STB), and its predecessor, the Interstate Commerce Commission, to set rates for service to the shipper. Unfortunately, the STB has developed policies which make it unreasonably expensive and difficult for a shipper to obtain STB regulation of the rates of monopoly railroads. H.R. 2125 would require changes in STB policies to provide the regulation of monopoly rates contemplated by the Staggers Rail Act.

Second, H.R. 2125 does not force one railroad to operate on the tracks of another railroad. We have seen railroad advocacy documents that make this claim. This representation is inaccurate. Existing law, 49 USC 1102(c), permits the STB to negotiate a reciprocal switching agreement between two railroads if the agreement is practicable, fairly compensates the impacted railroads, and serves the public interest. Under a reciprocal switching agreement, one railroad transports cars of a competing railroad for a fee. H.R. 2125 makes it clear that these agreements should be required if they are in the public interest.

Further, our legislation makes five necessary changes in current law that will expand rail competition and protect those rail customers who lack access to rail competition:


- Remove artificial barriers that block rail customer access to railroad competition;


- Improve the inaccessible and unworkable process for challenging the reasonableness of rail rates where the customer lacks access to competition;
- Ensure a pro-active STB that will protect rail customers from unreasonable rail practices, such as the excessive fuel surcharges that have occurred over the last several years;
- Clarify the railroad "obligation to serve" and empower the STB to enforce that obligation; and
- Reduce the fees and time associated with bringing rate dispute cases before the STB.

Please join us by cosponsoring H.R. 2125, the Railroad Competition and Service Improvement Act of 2007. Our national rail system is essential to the nation. Today's rail industry is financially robust, but rail customers without access to competition are not being protected from railroad market power. Our legislation will correct this problem.

If you wish to cosponsor H.R. 2125, please contact John Drake of the Transportation and Infrastructure Committee at x5-3274 or Stuart Crigler with Congressman Baker at x5-3901.

Sincerely,


James L. Oberstar
Chairman
Committee on Transportation
& Infrastructure


Richard Baker
Member of Congress